

**RECEIVED**

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

MAY 20 2004

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

BALLARD RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.

PSC CASE NO. 2004-00036

v.

JACKSON PURCHASE ENERGY CORPORATION

JACKSON PURCHASE ENERGY CORPORATION'S  
RESPONSE TO BALLARD RURAL TELEPHONE  
COOPERATIVE CORPORATION'S REQUESTS FOR  
PRODUCTION OF DOCUMENTS AND INFORMATION AND  
DATA REQUESTS

1. Please produce any and all documents which evidence, relate, or refer to the cost justification (including, but not limited to, methodology and/or cost study) for the increase in pole attachment rates proposed by Jackson Purchase for Ballard Telephone.

**RESPONSE:** See exhibit "A" attached.

2. Please produce any and all documents which evidence, relate, or refer to Jackson Purchase's decision to increase the pole attachment rates it charges Ballard Telephone.

**RESPONSE:** See Exhibit "B" attached.

3. Please produce any and all documents which evidence, relate, or refer to the economic factors identified by Richard Sherrill in answer number 23 of his testimony which was filed with the Public Service Commission on April 7, 2004.

**RESPONSE:** All information relevant to this request is available through the 2003 Public Service Commission Annual Report.

The 2003 PSC Annual Report lists all of the numbers that go into calculating the carrying cost.

4. Please produce any and all documents, including, but not limited to insurance claims, which evidence, relate or refer to the subjective costs identified by Richard Sherrill in answer number 23 of his testimony which was filed with the PSC on April 7, 2004.

**RESPONSE:**

JPEC does not carry insurance for its pole plant. Whenever a pole is damaged by a 3<sup>rd</sup> party, JPEC attempts to collect the reconstruction costs from that 3<sup>rd</sup> party and/or its insurance company. Therefore records specific to this request are not available.

5. Please produce any and all documents which evidence, relate or refer to the negotiations between Jackson Purchase and Ballard Telephone with respect to Jackson Purchase's decision to increase the pole attachment rates which it charges to Ballard Telephone.

**RESPONSE:** No documents exist.

6. Please produce any and all documents which evidence, relate or refer to the cost study used to prepare the current tariffed CATV pole attachment rate.

**RESPONSE:** There are no documents other than the tariff itself which is available publicly through the Public Service Commission.

7. Please produce any and all documents which evidence, relate or refer to any consideration by Jackson Purchase to enter the local exchange carrier marketplace as a provider of local exchange carrier services.

**RESPONSE:** JPEC does not possess any documents that would satisfy this request.

8. Please produce any and all documents which evidence, relate or refer to any consideration by Jackson Purchase to enter the cable television marketplace.

**RESPONSE:** JPEC does not possess any documents that would satisfy this request.

9. Please produce any and all documents which evidence, relate or refer to any consideration by Jackson Purchase to enter the satellite communications marketplace.

**RESPONSE:** JPEC does not possess any documents that would satisfy this request.

#### INFORMATION AND DATA REQUESTS

10. State each and every reason for which Jackson Purchase decided to increase the pole attachment rates of Ballard Telephone.

**RESPONSE:** Early in 2002, JPEC initiated a program to field count all jointly used poles occupied by telephone companies and all CATV pole attachments on JPEC poles. Once these counts were complete, JPEC entered into discussions with Bell South to update the rates for jointly used poles. These discussions resulted in a new Joint Use Contract with Bell South with new updated rates and which included an automatic escalation clause to adjust them in future years. The JPEC Board of Directors decided thereafter to charge all telephone joint users the same amount based upon the Bell South

rate agreement. JPEC then contacted all other telephone joint users including Ballard Telephone and began negotiating new contracts with each.

11. Please provide both a detailed explanation and a detailed quantification of the subjective costs identified by Mr. Richard Sherrill answer number 23 of his testimony filed with the PSC on April 7, 2004.

**RESPONSE:**

- a. While JPEC must respond to every broken or damaged pole occurrence, if the joint users owned a comparable share of poles, then they, not JPEC, would be dispatching crews to replace the poles. Thus, in storm situations especially, JPEC pole crews could focus on its poles and, thus, providing faster restoration times overall.
  - b. If joint users owned a comparable share of poles, the record keeping burden that JPEC currently bears would be greatly diminished. JPEC is greatly, if not totally dependent on the joint user promptly reporting new jointly used poles to update its records. This "honor" system results in many unreported new poles which are not discovered and added until a periodic field count is performed.
  - c. The return trip to remove old pole stubs is a continuing source of inconvenience and expensive. It is very difficult to schedule all foreign utility crews to transfer to a new pole at the time it is set. This results in the old pole stub remaining after all transfer work is completed. The owning utility must then make the second trip to the site to remove it. Unfortunately, this need often gets lost in the system resulting in many old stubs remaining in the field for years. Sharing this responsibility among multiple utilities would lessen the burden on any one.
12. Please provide a complete definition of what Jackson Purchase considers a joint-use pole.

**RESPONSE:** JPEC considers any pole occupied by more than one utility to be a jointly used pole.

13. Does Jackson Purchase provide pole attachments to cable television companies.

**RESPONSE:** JPEC has filed a CATV attachment tariff with the Kentucky PSC and, as such, allows CATV companies to make attachments to its poles.

14. If so, please identify the cable television companies and state the number of utility poles of Jackson Purchase occupied by each of the cable television companies.

**RESPONSE:** The CATV companies which currently have attachments to JPEC poles are: Comcast, Mediacom, Charter, and Galaxy. JPEC does not know the number of

poles occupied by each as it counts pole attachments and any given pole may contain more than one attachment.

15. Please identify the rates charged these cable television companies which are identified in response to Request No. 14.

**RESPONSE:** The current tariff charges each CATV operator \$2.27 per 2-party attachment and \$1.75 per 3-party attachment.

16. State each and every reason for which these rates (identified in response to Request No. 15) are different than the rates Jackson Purchase proposes to charge Ballard Telephone.

**RESPONSE:** These rates are different for many reasons. The primary ones are: (1) CATV operators are considered customers by the PSC and, as such, are charged according to a PSC authorized tariff, (2) the tariff which establishes the rates has not been updated since 1984, and (3) the tariff covers pole attachments, not jointly used poles.

17. Please state the number of Jackson Purchase utility poles occupied by any TVA cooperatives.

**RESPONSE:** JPEC knows of no JPEC owned poles that are occupied by any TVA cooperative.

18. Please state the number of Jackson Purchase utility poles occupied by Bell South Telecommunications, Inc.

**RESPONSE:** At the end of 2003, Bell South occupied 4,038 poles owned by JPEC.

19. Please explain in detail the reasons for which cable television companies cannot erect their own poles upon which to place their own facilities.

**RESPONSE:** It is the understanding of JPEC that CATV companies have not sought and have not received any direction by the Public Service Commission to erect poles of their own. JPEC believes that CATV companies have chosen not to erect their own poles because it is more economical to attach equipment to poles owned by electric and telephone utilities.

DENTON & KEULER, LLP  
P. O. Box 929  
Paducah, KY 42002-0929  
Tele: (270) 443-8253  
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By Walter R. Luttrull III  
W. David Denton  
Walter R. Luttrull III

ATTORNEYS FOR JPEC

I hereby certify that 10 copies  
of the foregoing were filed with the  
Public Service Commission by  
mailing via Federal Express to:

MR. THOMAS DORMAN EXEC. DIR.  
PUBLIC SERVICE COMMISSION  
215 SOWER BLVD  
P O BOX 615  
FRANKFORT KY 40601

**AND** via facsimile transmission to:  
Mr. Thomas Dorman, Executive Director,  
Commission @ 502-564-3460

True and correct copies of the  
foregoing have been mailed to:

HON ANITA MITCHELL ATTY  
PUBLIC SERVICE COMMISSION  
730 SCHENKEL LANE  
P O BOX 615  
FRANKFORT KY 40602

**AND** via facsimile transmission to:

HON JOHN E. SELEN  
HON EDWARD T. DEPP  
DINSMORE & SHOHL LLP  
1400 PNC PLAZA  
500 W. JEFFERSON STREET  
LOUISVILLE, KY 40202  
(502) 540-2300

on this 19th day of May, 2004.

Walter R. Luttrull III  
Walter R. Luttrull, III

CC: Kelly Nuckols,  
Jackson Purchase Energy Corporation

COST JUSTIFICATION  
FOR  
JOINT USE RATE  
PROPOSED  
FOR  
BALLARD RURAL TELEPHONE COOPERATIVE

JPEC believes that joint users should pay an annual charge based on the capital cost of one-half of the weighted installed cost of the first 25' of a typical JPEC pole. This belief centers on the fact that, were it not for the JPEC pole, the joint user would have to install at least a 25' pole to carry its facilities. By joint using with JPEC it avoids that cost.

The raw capital costs from JPEC books is adjusted downward by a factor of 0.95 to reflect that JPEC accounting methods may book items other than the pole itself into the pole accounts. It is further adjusted to include the cost of the pole ground, found on virtually all JPEC poles, and which the joint user is required to attach to.

The formula for calculating the annual costs is:

$$\text{Annual Cost} = \text{CC} * ((0.95 * \text{PC}) + (0.5 * \text{GC}))$$

Where CC = Annual system carrying charge as a % of Total Plant value

PC = Weighted average installed cost attributable to joint user

GC = Installed cost of pole ground which is accounted for separately in JPEC books.

As of the end of 2003, CC = 14.96%, PC = \$97.57 and GC = \$33.24. This results in an Annual Cost to the joint user of **\$ 16.36**.

The original rate requested by JPEC in October 2002 was \$13.79. *(RTS Comment: The Contract document proposed in 2002 stated the rate to be \$ 13.79 for 35' and shorter poles and \$ 17.75 for 40' and taller poles. However, as we did not at that time know how many of each size pole, we agreed to charge only to lesser amount until better pole information is available. These numbers came from Bell South's offer to pay rather than from any calculation.)* JPEC later agreed (or offered depending on how you look at it) to accept \$8.00 per pole in 2004, increasing the amount each year to arrive at \$15.50 in 2007. JPEC has withdrawn all previous offers and now requests the **\$ 16.36** stated above.

## CALCULATION OF JOINT USER PORTION OF POLE COST

A	B	C	D (C/B)	E (D/A)	F (E*12.5)	G (F*B)
Pole Length	JPEC Total Quantity	JPEC Book Value	Unit Cost	Cost per Foot	1/2 of First 25'	Capital Cost Joint User
25	8,040	914,352	113.73	4.55	56.86	457,176
30	15,604	4,186,335	268.29	8.94	111.79	1,744,306
35	13,982	2,402,756	171.85	4.91	61.37	858,127
40	16,538	6,765,739	409.10	10.23	127.84	2,114,293
45	3,971	1,647,556	414.90	9.22	115.25	457,655
50	677	418,009	617.44	12.35	154.36	104,502
55	136	68,955	507.02	9.22	115.23	15,672
Totals	58,948	16,403,703				5,751,731

Weighted Cost of Average JPEC pole --> 278.27

Weighted Cost of Joint User Portion --> 97.57

PSC #4

Development of Annual Carrying Charge

1 Operation and Maintenance Expense (Line 53, Page 14) \$3,727,393 Line 53, Page 14 of 2003 Annual Report  
 2 Customer Accounts Expense (Line 8, Page 15) \$1,075,956 Line 8, Page 15 of 2003 Annual Report  
 3 Customer Expense and Informational Expense (Line 14, Page 15) \$214,035 Line 14, Page 15 of 2003 Annual Report  
 4 Administrative and General Expenses (Line 34, Page 15) \$1,514,814 Line 34, Page 15 of 2003 Annual Report  
 5 Depreciation Expense (Line 28, Page 13) \$2,968,444 Line 28, Page 13 of 2003 Annual Report  
 6 Taxes Other than Income Taxes (Line 30, Page 13) \$43,335 Line 30, Page 13 of 2003 Annual Report

7 Sub Total \$9,543,977

8 Original Utility Plant at End of Year \$92,183,357

9 Rate of Return from Last General Rate Increase (Case No. 97-224, Item No. 77, AG Initial RFI) 0.0461

**0.7496 [A]**

	Quantity	Plant Value	Weighted Average
Total 35' Poles in Plant	13,982	\$2,402,756	
Total 40' Poles in Plant	16,538	\$6,765,739	
Totals	30,520	\$9,168,495	\$300.41 [B]
=====			
			\$5.84 per Calendar year
=====			
Total 40' Poles in Plant	16,538	\$6,765,739	
Total 45' Poles in Plant	3,971	\$1,647,556	
Totals	20,509	\$8,413,295	\$410.22 [C]
=====			
			\$4.80 per Calendar year
=====			

Note 1: JPEC pole accounts includes very minor non pole material constituting 5% or less of total account value. No grounding material is included in this account. Therefore a multiplier of .95 is used to adjust pole account values and \$12.50 is added to cover the pole grounding system.

MINUTES  
JACKSON PURCHASE ENERGY CORPORATION  
DECEMBER 23, 2002

A regular meeting of the Board of Directors of Jackson Purchase Energy Corporation (JPEC) was called to order on Thursday, December 23, 2002, at 6:30 p.m. at the office of the company, 2900 Irvin Cobb Drive, Paducah, Kentucky. The following directors were in attendance:

Lee Bearden, Wayne Elliott, Gary Joiner, Jack Marshall, John Myers, Bobby Ross, Glenn Spear

Dr. Ivus Crouch was absent. G. Kelly Nuckols, President/CEO, and W. David Denton, Attorney for the Board, were also present. Shirley Lanier, Executive Secretary, recorded the minutes.

The meeting was called to order by Chairman Gary Joiner, who welcomed everyone. Mr. Bearden gave the invocation.

The Consent Agenda was presented for approval. Motion was made by Mr. Bearden, seconded by Mr. Elliott, to approve the consent agenda; unanimously carried.

The November 2002 Operating Report was presented for approval. After discussion motion was made by Mr. Spear, seconded by Mr. Myers, to approve the November 2002 Operating Report; unanimously carried.

The Summary of November 2002 Expenses was presented for approval. After discussion, motion was made by Mr. Ross seconded by Mr. Myers to approve the November 2002 expenses; unanimously carried.

Mr. Myers and Mr. Bearden reported on the December 20, 2002, Big Rivers Board Meeting. Mr. Nuckols asked for any questions or comments regarding the summaries received by each member.

Mr. Nuckols and Mr. Ross reported on the December 17, 2002, KAEC Board Meeting. Mr. Nuckols asked for any questions regarding the summaries received by each member.

Mr. Nuckols called for questions and/or comments regarding written narratives of the JPEC departmental reports. The CEO's report was presented by Mr. Nuckols who submitted the following:

EXHIBIT B

- Announced that the Non-recurring case is complete and approved for January 1, 2003.
- Reported that wholesale power costs are moving back to costs of last year and that November YTD 2001 is 35.27 and 2002 is 35.61. YTD purchases are nearly \$200,000 more expensive than last year on unit cost basis.
- Updated the Board on telephone joint-use and cable TV joint use. Time has expired for reply for the three cable TV companies; the demand letters have been totally ignored.
- Reported that Big Rivers' New Director Orientation possible dates are February 19, 20, 21, 24, and 25 and March 10, 11, 12, 13, and 14.
- Reminded the Board of the Chamber Dinner January 23, at 6 p.m. and all are invited.

Mr. Denton gave the attorney's report and recommended approval of a resolution to file with the Public Service Commission (PSC) of the Commonwealth of Kentucky an application to revise depreciation rates, effective January 1, 2003, based upon completed depreciation studies by Rural Utilities Services (RUS), dated November 22, 2002 and Mr. Charles G. Williamson III, dated December 19, 2002. This filing is an effort to adjust depreciation expenses in accordance with the studies. Mr. Denton complimented Mr. Nuckols and Mr. Williamson for all the prep work they did in the Non-recurring case, making everything go very smoothly.

A motion to adopt the following resolution was made by Mr. Bearden, seconded by Mr. Spear; unanimously carried.

RESOLVED that Jackson Purchase Energy Corporation (JPEC) be and is hereby authorized to file with the Public Service Commission (PSC) of the Commonwealth of Kentucky an application to revise its depreciation rates, effective January 1, 2003, based upon completed depreciation studies by Rural Utilities Services (RUS), dated November 22, 2002 and Mr. Charles G. Williamson III, dated December 19, 2002.

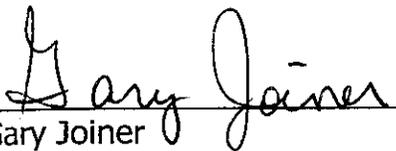
The Chairman called for unfinished business. There being none, the Chairman called for new business.

- As of January 1, 2003, the official IRS mileage rate goes down from 36.5 cents per mile to 36.0 cents per mile
- Motion to approve the 2003 operating budget was made by Mr. Ross, seconded by Mr. Marshall; unanimously carried. Motion to approve the 2003 capital budget was made by Mr. Myers, seconded by Mr. Marshall; unanimously carried. The operating and capital budgets were extensively reviewed and discussed at previous Board Workshops.

- Motion to proceed with CFC's line of credit renewal was made by Mr. Myers, seconded by Mr. Marshall; unanimously carried.
- The KAEC Annual Meeting will be October 27 & 28, 2003.

There being no further business to come before the open session of the Board, motion was made by Mr. Spear, seconded by Mr. Ross, to adjourn at 8:00 p.m.; unanimously carried.

  
\_\_\_\_\_  
Wayne Elliott  
Secretary/Treasurer

  
\_\_\_\_\_  
Gary Joiner  
Chairman

MINUTES  
JACKSON PURCHASE ENERGY CORPORATION  
NOVEMBER 26, 2002

A regular meeting of the Board of Directors of Jackson Purchase Energy Corporation (JPEC) was called to order on Thursday, November 26, 2002, 6:30 p.m., at the office of the company, 2900 Irvin Cobb Drive, Paducah, Kentucky. The following directors were in attendance:

Lee Bearden, Dr. Ivus Crouch, Wayne Elliott, Gary Joiner, Jack Marshall, John Myers, Bobby Ross, Glenn Spear

G. Kelly Nuckols, President/CEO was also present. Shirley Lanier, Executive Secretary, recorded the minutes.

The meeting was called to order by Chairman Gary Joiner, who welcomed everyone, including our new electrical engineer, Craig Gerke. Mr. Ross gave the invocation.

The Consent Agenda was presented for approval. Motion was made by Mr. Myers, seconded by Dr. Crouch, to approve the consent agenda; unanimously carried.

The October 2002 Operating Report was presented for approval. After discussion motion was made by Mr. Ross, seconded by Mr. Marshall, to approve the October 2002 Operating Report; unanimously carried.

The Summary of October 2002 Expenses was presented for approval. After discussion, motion was made by Mr. Elliott seconded by Mr. Spear; unanimously carried.

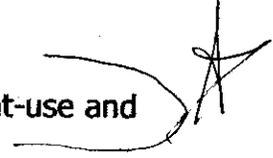
Mr. Myers and Mr. Bearden reported on the November 15, 2002, Big Rivers Board Meeting. Mr. Nuckols asked for any questions regarding the summaries received by each member.

Mr. Nuckols and Mr. Ross reported on the November 18, 2002, KAEC Board Meeting. Mr. Nuckols asked for any questions regarding the summaries received by each member.

Mr. Nuckols called for questions and/or comments regarding written narratives of the JPEC departmental reports. The CEO's report was presented by Mr. Nuckols who submitted the following:

- A member has been in to talk about a zero interest loan
- Informed the Board that non-recurring tariff case is still moving at PSC.
- Reported that wholesale power costs are moving back to costs of last year; YTD 2001 is 35.29 and 2002 is 35.81.

- Distributed the 2003 budget information.
- Requested Rich Sherrill to give an update on the telephone joint-use and cable TV joint-use issues.
- Announced that the KAEC New Director Orientation will be December 4 at Louisville if anyone would like to attend.



The Chairman called for unfinished business. There being none the Chairman called for new business.

- Motion was made by Mr. Bearden, seconded by Mr. Ross to change the January Board Meeting to January 27 due to the Chamber of Commerce dinner conflict with JPEC's regular meeting date. Motion carried with 7 ayes, one opposed (Mr. Spear).
- Motion was made by Mr. Elliott, seconded by Dr. Crouch to approve Work Plan Nos. 320, 321, 322, 326,334, and 354, unanimously approved.

There being no further business to come before the open session of the Board, motion was made by Mr. Spear, seconded by Mr. Myers, to adjourn at 8:15 p.m.; unanimously carried.

Wayne E Elliott  
Wayne Elliott  
Secretary/Treasurer

Don Janner  
Don Janner  
Chairman



MINUTES  
JACKSON PURCHASE ENERGY CORPORATION  
February 27, 2003

A regular meeting of the Board of Directors of Jackson Purchase Energy Corporation was called to order on Thursday, February 27, 2003, at 6:30 p.m. at the office of the company at 2900 Irvin Cobb Drive, Paducah, Kentucky. The following directors attended:

Lee Bearden, Dr. Ivus Crouch, Wayne Elliott, Gary Joiner,  
Jack Marshall, John Myers, Bobby Ross, Glenn Spear

G. Kelly Nuckols, President/CEO, and W. David Denton, Attorney for the Board, were also present. Shirley Lanier, Executive Secretary, recorded the minutes.

Chairman Gary Joiner called the meeting to order and welcomed everyone. Bobby Ross gave the invocation.

The consent agenda was presented for approval. Motion was made by Mr. Marshall, seconded by Mr. Ross, to approve the consent agenda; unanimously carried.

The January 2003 Operating Report was presented for approval. A motion was made by Mr. Myers, seconded by Mr. Marshall, to approve the January 2003 Operating Report; unanimously carried.

The Summary of January 2003 Expenses was presented for approval. After discussion, a motion to approve the January 2003 Expenses was made by Mr. Ross, seconded by Mr. Spear; unanimously carried.

Mr. Bearden and Mr. Myers reported on the Big Rivers Board Meeting held on February 21, 2003.

The chair called for questions and/or comments regarding written narratives of the JPEC departmental reports. Mr. Nuckols submitted the following CEO's Report:

- Reported that wholesale power cost YTD 2002 is 33.49 and 2003 is 34.55. Purchase is up by 9,066 mWh and 25,384 kW more than last year; overall increase in power cost per kWh of 3.17% from last year.
- Updated the Board on joint-use. West Kentucky Telephone has formally requested a meeting to discuss language and possible rates. Ballard and Alltel have not responded; therefore, based on the advice of attorney, JPEC will bill under old rate and give notice of termination of agreement.

A short discussion followed regarding telephone company pole attachments. Motion was made by Mr. Bearden, seconded by Mr. Elliott, that we immediately notify the phone companies in writing that beginning now we are giving notice of termination of agreement; unanimously carried.

- CATV filed a formal complaint at PSC. JPEC now has 10 days to respond to complaint. We are working on our response and a counterclaim at PSC; did not file suit in district court based on advice of attorney. Requested the Board to authorize hiring of additional co-counsel (Keller and Heckman, LLC in Washington.) Will request help with financial assistance from CFC and possible financial assistance from KAEC. The Board is in agreement with the request and requested a litigation budget.

The Chairman called for unfinished business. The December 2002 Operating Report (Form 7) was presented. Mr. David Hampton from Kemper CPA Group made a presentation to the board about possible disclosure of post-retirement benefits. He said that upon the second review by his firm of the 2002 draft financial statements, the reviewer believed a study needed to be made on the impact of JPEC's post-retirement benefit program. Because of the difficulties in projecting retirement dates, medical cost trends and other factors, a qualified actuary is required under accounting conventions to determine whether the liability is significant enough for inclusion in the financial statements. Motion was made by Mr. Spear, seconded by Dr. Crouch, proposing the use of NRECA's actuarial services based on their familiarity with cooperative benefits and practices and their ability to perform the task in a timely manner. The motion included a ceiling on the fees to be expended of \$15,000; unanimously carried.

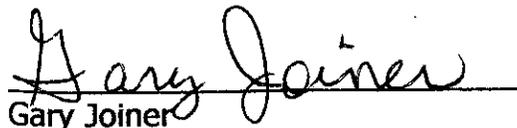
The Chairman called for new business:

- After discussion and review, the board reaffirmed the composition of the eight director districts determining that the boundaries shall remain as they are for the following reasons.
  1. Historically, members are familiar with districts.
  2. Directors are elected by the entire membership, not specifically within a district; therefore, director actions represent Jackson Purchase Energy in total, not their particular district.
  3. PSC is aware of population of districts and has not ordered any changes to districts.
  4. Redistricting would require significant effort and expense.
  5. Members have not requested any changes to district make-up.
  6. There is the need for continuity in district boundaries. The membership is accustomed and familiar with their respective district boundaries. To change boundaries would be disruptive to the membership.

This action is in accordance with the Bylaws, Article IV, Section 4, and is required at least sixty (60) days before the deadline for filing a petition for Board candidacy. A motion was made by Mr. Bearden, seconded by Mr. Marshall, to reaffirm the eight director districts as defined in the bylaws; unanimously carried.

- Motion was made by Dr. Crouch, seconded by Mr. Bearden, to approve Mr. Kelly Nuckols as Voting Delegate for NCSC Annual Meeting; unanimously carried.
- Motion was made by Mr. Ross, seconded by Mr. Elliott, to approve the 2003 Annual Meeting date for Thursday, June 26, 2003 — 5 p.m. registration — 6 p.m. annual meeting.
- Motion was made by Mr. Myers, seconded by Mr. Bearden, to adopt a resolution to establish a line of credit and be authorized to borrow from CFC an amount, which shall not at any one time exceed \$5,000,000, for a term of 23 months or less. Further, motion was made by Mr. Myers, seconded by Mr. Bearden, that JPEC authorize the Chairman of the Board to execute and deliver to CFC the Revolving Line of Credit Agreement and all other incidental documentation; unanimously carried. (See attached resolution.)
- Motion was made by Dr. Crouch, seconded by Mr. Bearden, to approve any director's attendance at the Legislative Rally/Congressional Breakfast, May 6-7, 2003, Washington, DC; unanimously carried.
- Mr. Nuckols reminded the directors of the 2003 Director Elections in Districts 1, 4 and 5 and asked the directors to be thinking about tellers. He explained that petition packets would be available beginning March 1, and petitions could be filed April 1-30, 2003.

There being no further business to come before the open session of the Board, motion was made by Mr. Elliott, seconded by Mr. Spear, to adjourn at 8:45 p.m.; unanimously carried.

  
\_\_\_\_\_  
Gary Joiner  
Chairman

  
\_\_\_\_\_  
Wayne Elliott  
Secretary/Treasurer

7

MINUTES  
JACKSON PURCHASE ENERGY CORPORATION  
SEPTEMBER 25, 2003

A regular meeting of the Board of Directors of Jackson Purchase Energy Corporation was called to order on Thursday, September 25, 2003, at 7 p.m. at the office of the company, 2900 Irvin Cobb Drive, Paducah, Kentucky. The following directors attended:

Lee Bearden, Dr. Ivus Crouch, Wayne Elliott,  
Jack Marshall, Bobby Ross, Glenn Spear, John Walker

Gary Joiner was absent. G. Kelly Nuckols, President/CEO, and W. David Denton, Attorney for the Board, were also present. Shirley Lanier, Executive Secretary, recorded the minutes.

Chairman Jack Marshall welcomed all present and called the meeting to order. Mr. Ross gave the invocation.

The consent agenda was presented for approval. Motion was made by Mr. Ross, seconded by Dr. Crouch, to approve the consent agenda; unanimously carried.

The August 2003 Operating Report was presented for approval. After review and discussion, motion was made by Mr. Elliott, seconded by Mr. Spear, to approve the August 2003 Operating Report; unanimously carried.

The Summary of August 2003 Expenses was presented for approval. After discussion, a motion was made by Dr. Crouch, seconded by Mr. Elliott; unanimously carried.

Mr. Marshall reported that Mr. Myers would be attending future JPEC board meetings. Mr. Bearden reported on the September 15, 2003, Big Rivers Board Meeting. As requested by Dr. Crouch, the Big Rivers-LG&E structure flow chart was distributed for informational purposes. Additionally, the acronym dictionary was given to each board member. The Chair called for questions and/or comments regarding written narratives of the JPEC departmental reports and the CEO's report.

After discussion regarding the Safety Committee's recommendation to make JPEC's buildings, other than a specified area in the garage "no smoking," motion was made by Dr. Crouch, seconded by Mr. Bearden. Further discussion followed and Mr. Spear, seconded by Mr. Bearden, amended the motion to allow a 30-day period before the "no smoking policy" becomes effective. The amendment was voted on and carried with 6 ayes, 1 nay, Mr. Spear, recognizing what tobacco has done for the state of Kentucky. Then, the motion was voted on and carried unanimously.

Mr. Williamson briefed the board regarding the Kentucky Revenue Audit and properly collecting/paying sales tax. Some businesses had been recorded as tax-exempt, when in fact, they were not. Sales tax was assessed and paid by JPEC on those businesses for the audit period. It was agreed to pursue collecting this tax by sending a letter requesting payment for past tax and notifying consumers that from this day on, the tax would be added to their bill. It was agreed that this was the best avenue to try to recover the amount owed in back sales tax.

The Chair called for the attorney's report. Motion was made by Mr. Bearden, seconded by Dr. Crouch, to adjourn to Executive Session; unanimously approved. The Board, Attorney Denton, and Mr. Nuckols adjourned to Executive Session. Motion was made by Mr. Bearden, seconded by Mr. Elliott to adjourn to regular session; unanimously approved.

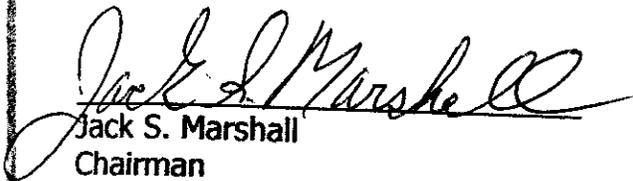
Following the executive session the Board reconvened to open session. The Chair called for unfinished business.

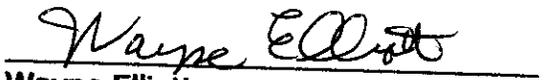
- Mr. Williamson gave an update on payment drop boxes and all were in agreement with this method of improving customer service.

The Chair called for new business.

- ACRE certificates were presented to each director for their 100% Board & Management's enrollment in the ACRE Program
- In support of the Paducah Chamber of Commerce's letter writing campaign efforts, the board members each signed letters to support USEC locating its centrifuge plant at Paducah
- NRECA Ethics & Governance training brochures were distributed. The training will be in Nashville, December 15-17, 2003
- Certificates and congratulations were presented to newly credentialed directors, Dr. Crouch, Mr. Elliott, and Mr. Spear. Mr. Lee Bearden had previously been presented with the Board Leadership certificate at the NRECA Regional Meeting in Lexington
- After discussion regarding certification of KAEC voting delegate and alternate, motion was made by Mr. Bearden, seconded by Dr. Crouch, to certify Mr. Bobby Ross as KAEC voting delegate and Mr. Kelly Nuckols as alternate; carried unanimously. Motion to approve any director's attendance was made by Dr. Crouch, seconded by Mr. Spear; unanimously carried.
- Motion was made by Mr. Spear, seconded by Mr. Elliott, to change the November and December board meetings due to the holidays to November 24, 2003, and December 29, 2003; unanimously carried.

There being no further business to come before the open session of the Board, motion was made by Mr. Elliott, seconded by Mr. Spear, to adjourn at 9:20 p.m.; unanimously carried.

  
Jack S. Marshall  
Chairman

  
Wayne Elliott  
Secretary/Treasurer

MINUTES  
JACKSON PURCHASE ENERGY CORPORATION  
FEBRUARY 26, 2004

A regular meeting of the Board of Directors of Jackson Purchase Energy Corporation was called to order on Thursday, February 26, 2004, at 6:30 p.m. at the office of the company, 2900 Irvin Cobb Drive, Paducah, Kentucky. The following directors attended:

Lee Bearden, Ivus Crouch, Gary Joiner,  
Jack Marshall, Bobby Ross, Glenn Spear, John Walker

Wayne Elliott was absent. G. Kelly Nuckols, President/CEO, W. David Denton, Attorney for the Board, and John Myers, Big Rivers Board of Directors, were also present. Shirley Lanier, Executive Secretary, recorded the minutes.

Chair Jack Marshall welcomed all present and called the meeting to order. Mr. Walker gave the invocation.

The consent agenda was presented for approval. Motion was made by Mr. Walker, seconded by Mr. Ross, to approve the consent agenda; unanimously carried.

The December 2003 Operating Report was presented for approval. A motion was made by Mr. Ross, seconded by Dr. Crouch, to approve the December 2003 Operating Report; unanimously carried.

The January 2004 Operating Report was presented for approval. A motion was made by Dr. Crouch, seconded by Mr. Bearden, to approve the January 2004 Operating Report; unanimously carried.

The Summary of January 2004 Expenses was presented for approval. After discussion, motion was made by Mr. Walker, seconded by Dr. Crouch; unanimously carried.

Mr. Myers and Mr. Bearden reported on the February 20, 2004, Big Rivers Board Meeting.

\* Mr. Denton gave an update on the Ballard Rural Telephone complaint to the PSC and noted that the response was due on March 9, 2004.

The Chair called for questions and/or comments regarding written narratives of the JPEC departmental reports.

- After discussion regarding annual meeting preparations and meeting locations, Mr. Spear, seconded by Mr. Marshall, made motion to hold the annual meeting at the Executive Inn due Four Rivers' estimate being \$300

over last year's expenses. Motion failed with two ayes, (Mr. Spear and Mr. Marshall) and five nays. The annual meeting will be held at the Luther F. Carson Four Rivers Performing Arts Center on Tuesday, June 29, 2004, at 6 p.m., with doors opening at 4 p.m., and registration beginning at 5 p.m.

- During discussion of the Operations and Engineering report, the Board requested additional information regarding signature authority for particular dollar amounts. The Board further requested additional information regarding the status of GIS and a chart documenting its progress.
- Mr. Nuckols requested guidance regarding the lowest bid consultant engineering firm bid to design Possum Trot and Cumberland River substations. Mr. Joiner, seconded by Mr. Ross, made motion to approve the lowest bid firm requesting that they not do any work for Paducah Power for five years; motion carried with six ayes, one opposed, Mr. Bearden, stating that low-bid firm must agree with five-year terms or go with the second lowest bidder.
- Mr. Nuckols reported a problem with Sunguard's mailing cycle 3 bills. Ninety percent of the bills were left on the loading dock for six days before being mailed. The Board approved management's intent to request Sungard to reimburse JPEC for its damages.
- Mr. Nuckols reported that a retirement reception for former employees who recently withdrew from the pension plan would be held on Friday, February 27, 2004, from 3-4:30 p.m. Mr. Spear encouraged all board members to attend this reception.

The Chair called for unfinished business.

- After discussion regarding JPEC's Automobile Allowance policy, Mr. Bearden, seconded by Mr. Joiner, made motion to approve the JPEC Automobile Allowance Policy. Motion carried with five ayes, one abstention (Dr. Crouch, not enough information), and one opposed, Mr. Spear.

The Chair called for new business.

- Mr. Bearden, seconded by Mr. Spear, made motion to reaffirm JPEC's Safety Policy to meet safety accreditation requirements; unanimously carried. Dr. Crouch recommended that JPEC treat the safety committee to breakfast or lunch.

- After discussion, Mr. Joiner, seconded by Mr. Ross, made motion to approve Work Plan Projects 301, 303, 305, 306, 308, 309, 310, 339, 343, 345, and 359, unanimously carried.
- Mr. Joiner, seconded by Mr. Bearden, made motion to approve the 2003 Financial Statements and Management Letter; motion carried with six ayes, and one abstention, Mr. Spear.
- Mr. Joiner, seconded by Mr. Bearden, made motion to approve the following Wire Transfer Authorization Resolution; unanimously carried.

**WHEREAS**, the Board of Directors desires to clarify rules and procedures for the initiation of wire transfers from JPEC bank accounts, for the purpose of allowing authorized personnel to more easily handle common and reoccurring transfers while placing greater controls on unusual and less common transfers;

**NOW, THEREFORE**, in accordance with the foregoing, JPEC hereby adopts the following resolutions:

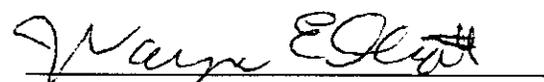
BE IT RESOLVED, that G. Kelly Nuckols, Charles G. Williamson III, Colleen Chatman and Terry Miller are hereby exclusively authorized to initiate wire transfers (with the additional right to add instructions on where to apply the funds subject to these transfers) to the following accounts:

1. Bank One (ABA 071 000 013)  
To credit of NRUCFC
2. Treas. NY City (routing number 021030004)  
Account number 12200408
3. Old National Bank of Henderson, Kentucky (086300012)  
Big Rivers account 10585559
4. Natl Bk Coops Englwd (ABA 3070 8875 4)

BE IT FURTHER RESOLVED that any other wire transfers to other accounts must be directed by written or faxed correspondence to the transferring bank in accordance with similar instructions for a written check of a similar amount.

There being no further business to come before the open session of the Board, motion was made by Mr. Joiner, seconded by Mr. Spear, to adjourn to executive session at 8:00 p.m.; unanimously carried. An Executive Session, attended by Directors and Mr. Nucko immediately followed adjournment.

  
Jack S. Marshall  
Chair

  
Wayne Elliott  
Secretary/Treasurer